Cash Flow — The Money Moving In and Out

What Cash Flow Means
Cash flow is the movement of money **in and out** of a business, investment, or your personal finances over a certain period of time.
It shows whether you have more money coming in than going out, or the other way around.

Think of it like the bloodstream of your finances — money coming in is like oxygen; money going out is like energy being used.

Types of Cash Flow

1. **Positive Cash Flow** – More money is coming in than going out.
    - You're earning more than you're spending.
    - Example: You collect $2,000 in rental income but only spend $1,500 on mortgage, taxes, and repairs → $500 positive cash flow.
2. **Negative Cash Flow** – More money is going out than coming in.
    - You're spending more than you're earning.
    - Example: You collect $1,500 in rent but spend $1,800 in expenses → $300 negative cash flow.

Cash Flow vs. Profit
Cash flow is not the same as profit.

- **Profit** is what's left after all income and expenses are counted, including non-cash items like depreciation.
- **Cash flow** is strictly about real money movement — when cash actually enters or leaves your account.

In Real Estate
Cash flow is a key measure of how well a property is performing.
Formula for rental property cash flow:

Cash Flow=Total Rental Income−Total ExpensesCash Flow=Total Rental Income−Total Expenses

Expenses may include:

- Mortgage payments
- Property taxes
- Insurance
- Repairs and maintenance
- Property management fees
- Utilities (if landlord pays)

Why Cash Flow Matters

- **Financial Health** – Positive cash flow means you have money left to save, reinvest, or spend.
- **Debt Management –** Healthy cash flow makes it easier to cover debt payments.
- **Investment Decisions –** Investors use cash flow to decide whether an investment is worth keeping or selling.

Improving Cash Flow

- Increase income (raise rents, boost sales, add services).
- Reduce expenses (find cheaper suppliers, refinance debt, cut unnecessary costs).
- Reinvest wisely to increase long-term income streams.

Example
A small apartment building brings in $12,000 in rent per month.
Expenses (mortgage, taxes, insurance, maintenance, utilities) total $9,000.
Cash flow = $12,000 – $9,000 = **$3,000 positive cash flow**.

If expenses rose to $13,000 while income stayed the same, cash flow would be **negative $1,000**.

Key Takeaway
Cash flow tells you if you have money left after paying all expenses.
Positive cash flow is a sign of strong financial health. Negative cash flow is a warning that adjustments are needed.